

FORECLOSURE TRENDS REPORT

2016

COMMONWEALTH OF MASSACHUSETTS
DIVISION OF BANKS

BACKGROUND

Chapter 206 of the Acts of 2007, An Act Protecting and Preserving Home Ownership (Chapter 206), was enacted to provide consumer protections for homeowners facing foreclosure.¹ The Right-to-Cure (RTC) Notice became a required pre-foreclosure notification to provide additional time for consumers to become current on their past due mortgage loan balances without incurring unrelated fees for 90 days.

Chapter 206 requires that the Division of Banks (Division) prepare an annual report analyzing the number of RTC Notices and Foreclosure Petition filings. This report reflects activity for the 2016 calendar year. In August, 2010, the RTC period was extended from 90 days to 150 days under Chapter 258 of the Acts of 2010. This extension was deemed as an emergency measure for homeowners struggling to keep their homes. As of January 1, 2016, the RTC period reverted to 90 days in accordance with sunset provisions within the statute. The statute requires creditors to demonstrate ‘good-faith’ efforts to work with borrowers to develop a possible resolution before opting to foreclose.² Additionally, in August of 2012, Chapter 194 of the Acts of 2012 was signed into law affording additional protections to consumers in the foreclosure process—including the requirement for lenders to provide a specific notification of a borrower’s right to request a mortgage loan modification for certain types of mortgage loans and a requirement that creditors modify a loan if the cost to modify is less than the cost to foreclose.³

The Division utilizes an online repository, the Massachusetts Foreclosure Petition Database, to collect and track RTC Notices and foreclosure-related activity in the Commonwealth.⁴ The data submitted by mortgage lenders, mortgage holders, and mortgage servicers is analyzed to study the trends of RTC Notices, Foreclosure Petitions, Foreclosure Sales, and other mortgage-related activity to produce this annual report.⁵

REPORT HIGHLIGHTS

- In 2016, there was a 48% increase in RTC Notices and a 47% increase in foreclosure sales compared to 2015.
- More than 60% of RTC Notices issued in 2016 were for mortgages originated between 2004 and 2007.
- 66% of reported RTC Notices in 2016 were for mortgage loans with interest rates between 4.00% and 7.99%.
- In both 2015 and 2016, the majority of Foreclosure Petitions were filed between 100–399 days, (or between 3–13 months) after the RTC Notice was issued.

¹ [Acts of 2007, Chapter 206: An Act Protecting & Preserving Homeownership](#)

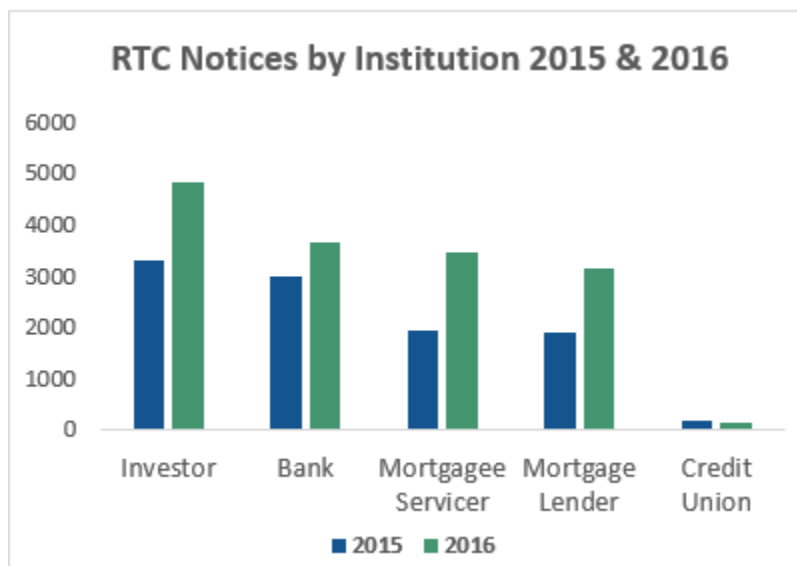
² [Massachusetts General Laws Chapter 244, Section 35A](#)

³ [Massachusetts General Laws Chapter 244, Section 35B](#)

⁴ [Massachusetts General Laws Chapter 244, Section 14A](#)

⁵ The pre-foreclosure (or RTC) data presented in this report does not include activity which has not been accelerated to the “Petition” phase of foreclosure.

FIGURE 1



Investors were the most common entity to file RTC Notices in the Commonwealth in 2015 and 2016. Investors comprised a total 32% of all filers in both years. RTC Notice filings increased 23% compared to 2015 for Banks⁶, the second most common entity. In 2016, Mortgagee Servicers comprised a total of 21% of filers compared to 18% in 2015. The remaining RTC Notices were issued by Mortgage Lenders and Credit Unions.

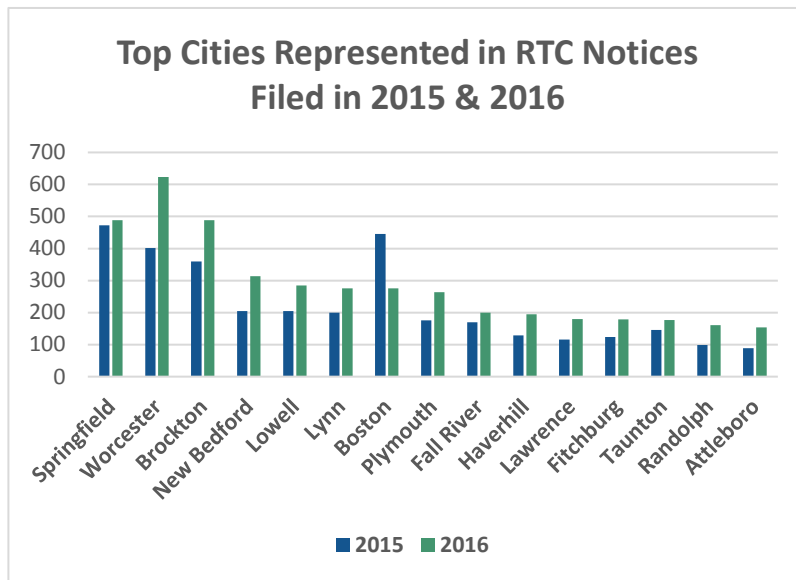
TABLE 1: RTC NOTICES BY COUNTY

County	No. of RTC Notices in 2015	% of Total Notices in 2015	No. of RTC Notices in 2016	% of Total Notices in 2016	% Change from 2015 to 2016
Worcester	1992	19.27%	2676	17.49%	34.3%
Middlesex	1338	12.95%	2029	13.26%	51.6%
Plymouth	1268	12.26%	1744	11.40%	37.4%
Bristol	1111	10.75%	1565	10.23%	29.0%
Essex	1110	10.74%	1648	10.77%	48.5%
Hampden	1062	10.27%	1647	10.77%	55.1%
Norfolk	772	7.47%	1249	8.17%	61.8%
Suffolk	599	5.79%	1104	7.22%	84.3%
Barnstable	493	4.77%	771	5.04%	56.4%
Berkshire	225	2.18%	345	2.26%	53.3%
Hampshire	199	1.92%	255	1.67%	28.1%
Franklin	114	1.10%	192	1.26%	69.9%
Nantucket	34	0.33%	32	0.21%	-5.9%
Dukes	21	0.20%	39	0.25%	77.3%

In 2016, nearly every county in the Commonwealth saw an increase in RTC Notices in comparison to 2015. Since 2012, however, RTC Notices have decreased by 11% overall. Worcester, historically the most dominant county for RTC Notices, experienced a substantial 34% increase in 2016 from 1,992 RTC Notices in 2015 to 2,676 RTC Notices in 2016. The only county in 2016 with a decrease in notices was Nantucket with a minimal 6% change, having 34 RTC Notices in 2015 down to 32 RTC Notices in 2016.

⁶ Banks noted include state chartered banks, federal banks, and other non-Massachusetts chartered institutions.

FIGURE 2



In both 2015 and 2016, approximately 30% of RTC Notices were concentrated in fifteen cities. Figure 2 shows Springfield remained the top city in 2016, experiencing a 55% increase from 2015. In 2016, Boston⁷ decreased 38% from 2015, becoming the 7th ranked city. Furthermore, Attleboro moved from the 20th ranked city to the 15th, earning a place on the top cities represented in RTC Notices list; a 73% increase from 2015 to 2016. Randolph also moved to the top cities ranking, with a 63% increase from 2015.

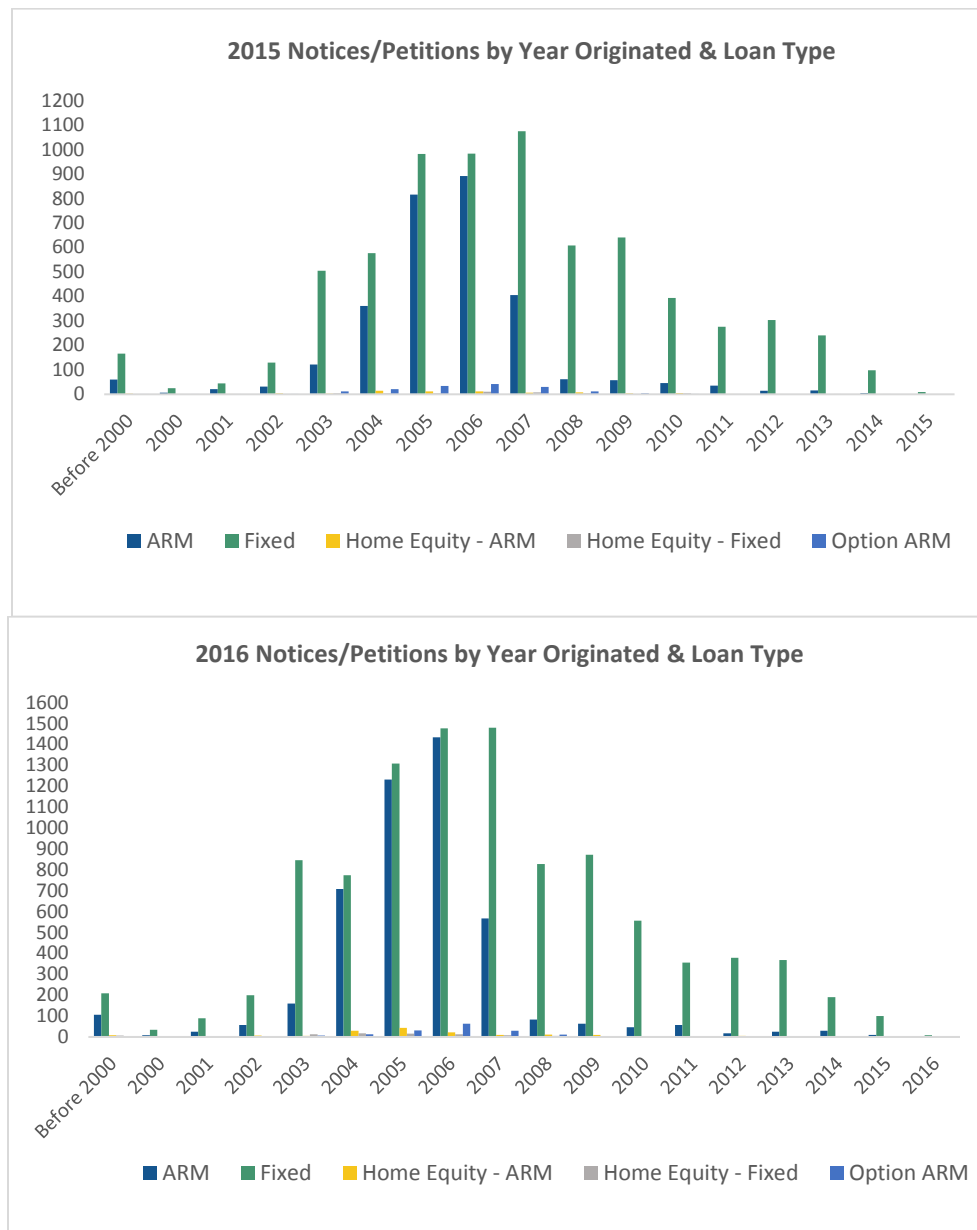
TABLE 2: RTC NOTICES BY MORTGAGE ORIGINATION YEAR

Loan Origination Year	No. of Notices in 2015	% of Total Notices in 2015	No. of Notices in 2016	% of Total Notices in 2016	% Change from 2015 to 2016
Before 2000	231	2.23%	329	2.15%	42%
2000	33	0.32%	50	0.33%	52%
2001	69	0.67%	121	0.79%	75%
2002	168	1.62%	270	1.77%	61%
2003	647	6.26%	1031	6.74%	59%
2004	979	9.47%	1545	10.10%	58%
2005	1850	17.89%	2638	17.25%	43%
2006	1945	18.81%	3025	19.78%	56%
2007	1527	14.77%	2108	13.78%	38%
2008	696	6.73%	953	6.23%	37%
2009	717	6.93%	976	6.38%	36%
2010	458	4.43%	640	4.18%	40%
2011	322	3.11%	438	2.86%	36%
2012	325	3.14%	421	2.75%	30%
2013	258	2.50%	401	2.62%	55%
2014	105	1.02%	223	1.46%	112%
2015	9	0.09%	116	0.76%	1189%
2016	---	---	11	0.07%	--
Total	10339		15296		

Of mortgage loans related to an RTC Notice in 2015, only 4% originated between 2013 and 2015. However, only 2% of RTC Notices in 2016 originated between 2014 and 2016. Loans originated during the sub-prime period, 2005 – 2007, accounted for 51% of the RTC Notices filed in 2016, a 46% increase by number of RTC Notices filed from 2015.

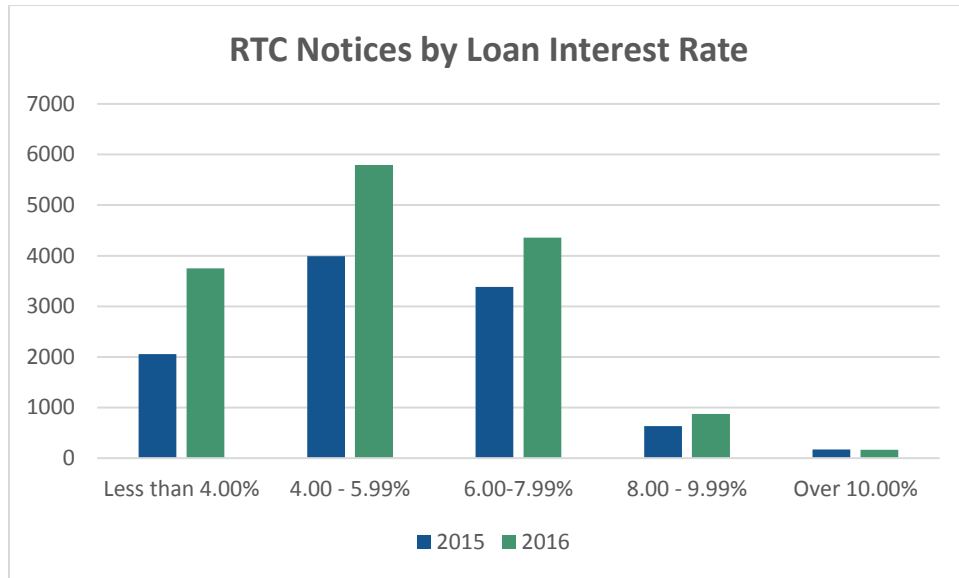
⁷ The RTC Notices filed in Boston include Boston and its neighborhoods: Allston, Brighton, Charlestown, Dorchester, East Boston, Hyde Park, Jamaica Plain, Mattapan, Roslindale, Roxbury, South Boston and West Roxbury.

FIGURES 3 & 4: RTC NOTICES BY YEARS OF LOAN ORIGINATION AND LOAN TYPE



As Figure 3 and 4 indicate, the majority of RTC Notices in both 2015 and 2016 were fixed rate mortgages, regardless of what year the loan originated. Specifically, 68% of RTC Notices in 2015 and 66% in 2016 were fixed rate mortgages. It is anticipated with the gradual increase in mortgage loan interest rates, loan originations and mortgage defaults will continue to involve fixed rate mortgage products. RTC Notices from 2003-2008 reflected the bulk of Adjustable Rate Mortgages (ARM). Overall, ARM loans comprised 29% of all RTC Notices in 2015 and 30% in 2016. All other loan types accounted for 3% of the total of RTC Notices sent in 2015 and 4% in 2016.

FIGURE 5



The majority of reported RTC Notices, 66% in 2016, were linked to mortgage loans with interest rates between 4.00% and 7.99% in both 2015 and 2016. RTC Notices associated with interest rates lower than 6.00% stayed consistent, making up 58% of total RTC Notices in 2015 and 62% in 2016.

TABLE 3: RTC NOTICES BY DELINQUENCY DAYS

Delinquency Length	No. of Notices in 2015	% of Total Notices in 2015	No. of Notices in 2016	% of Total Notices in 2016
Less than 60 Days	66	0.64%	1561	10.21%
61 – 120 Days	1165	11.27%	1861	12.17%
120 – 149 Days	8104	78.38%	11874	77.63%
150 – 199 Days	629	6.08%	0	0.00%
Over 200 Days	375	3.63%	0	0.00%
Total	10339	100%	15296	100.00%

In both 2015 and 2016, over 89% of reported mortgage loans were delinquent between 61 – 149 days (2 and 5 months). Table 4 depicts the large majority of servicers sending the RTC Notice during the ‘120 – 149 days’ delinquency period. No notices were sent after 149 days in 2016.

FIGURE 6

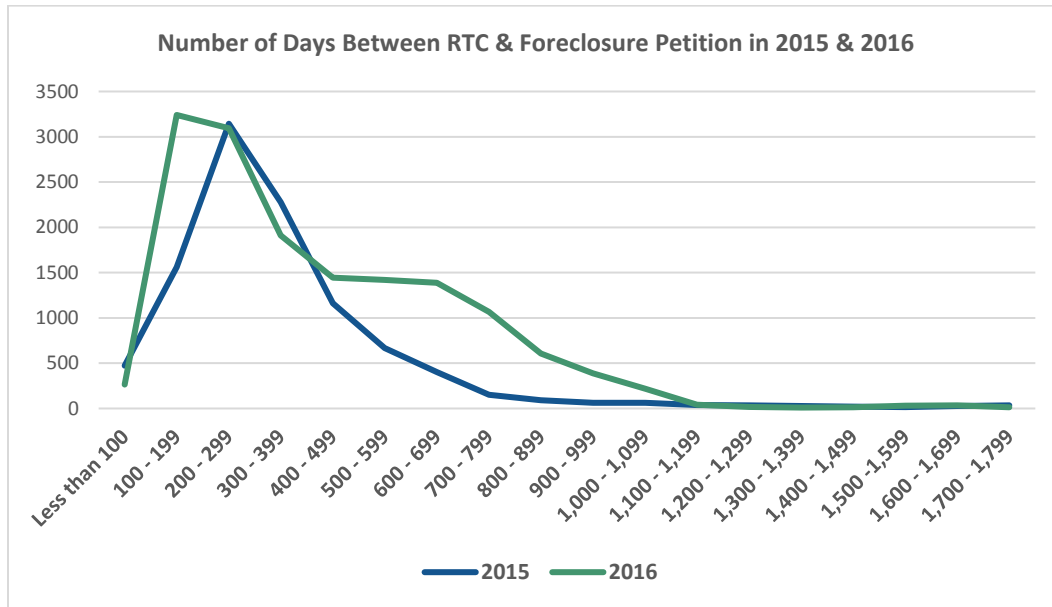


TABLE 4: RTC NOTICE TO FORECLOSURE PETITION FILE DATE IN DAYS

2014 RTC to Petition (Days)	No. of Notices in 2015	% of Total Petitions in 2015	No. of Notices in 2016	% of Total Notices in 2016
Less than 100	472	4.57%	265	1.73%
100 – 199	1,560	15.09%	3241	21.19%
200 – 299	3,144	30.41%	3094	20.23%
300 – 399	2,279	22.04%	1911	12.49%
400 – 499	1,160	11.22%	1443	9.43%
500 – 599	666	6.44%	1421	9.29%
600 – 699	401	3.88%	1386	9.06%
700 – 799	151	1.46%	1067	6.98%
800 – 899	90	0.87%	606	3.96%
900 – 999	63	0.61%	389	2.54%
1,000 – 1,099	63	0.61%	217	1.42%
1,100 – 1,199	39	0.38%	40	0.26%
1,200 – 1,299	33	0.32%	17	0.11%
1,300 – 1,399	27	0.26%	10	0.07%
1,400 – 1,499	19	0.18%	14	0.09%
1,500 – 1,599	15	0.15%	31	0.20%
1,600 – 1,699	28	0.27%	36	0.24%
1,700 – 1,799	33	0.32%	12	0.08%
1,800 or more	96	0.93%	96	0.63%

Figure 6 and Table 4 depict the time between submissions of RTC Notices and Foreclosure Petitions. It should be noted more Foreclosure Petitions were filed in 2016 than in 2015 (15,296 versus 10,339). In 2015, 68% of Foreclosure Petitions were filed between 100 and 400 days after the RTC Notice, compared to 54% in 2016 during the same time period. Approximately 50% of Foreclosure Petitions were filed between 200 – 400 days after the RTC Notice filing in 2015 and approximately 30% were filed during the same time period in 2016.

FIGURE 7

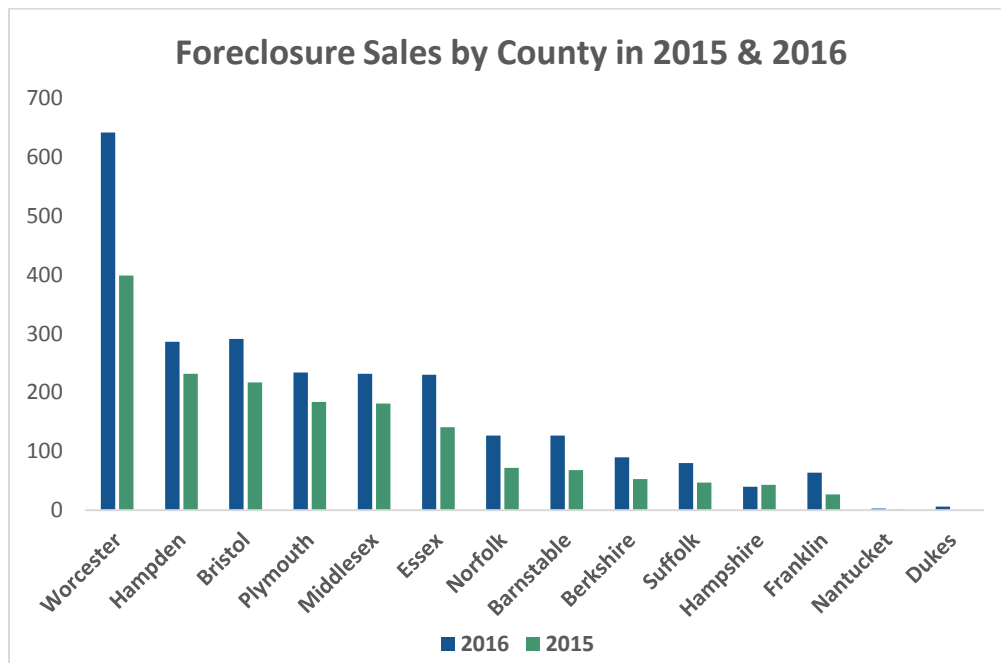


TABLE 5: FORECLOSURE SALES BY COUNTY

County	No. of Foreclosure Sales in 2016	Foreclosure Sales per 10,000 Residents ⁸	% Change from 2015 to 2016
Worcester	642	8.04	60.90%
Hampden	286	6.17	23.28%
Bristol	291	5.31	34.10%
Plymouth	234	4.73	27.17%
Middlesex	232	1.54	28.18%
Essex	230	3.09	63.12%
Norfolk	127	1.89	76.39%
Barnstable	127	5.88	86.76%
Berkshire	90	6.86	69.81%
Suffolk	80	1.11	70.21%
Hampshire	40	2.53	-6.98%
Franklin	64	8.97	137.04%
Nantucket	3	2.95	200.00%
Dukes	6	3.63	100%
Total	2452	62.70	

Table 5 and Figure 7 show that the largest concentration of foreclosure sales in the Commonwealth have occurred in Worcester County, 24% in 2015 and 26% in 2016. The number of foreclosure sales in Worcester County has increased over the years with a 61% increase from 2015. In 2015 a total of 1,665 foreclosure sales occurred. Statewide there was a 47% decrease in foreclosure sale activity overall from 2015.

⁸ Residential data is based on the 2010 United States Census information.